

The Proper Administration of Wealth

Andrew Carnegie opened his well-known article, “The Gospel of Wealth,” with the following profound statement, “The problem of our age is the proper administration of wealth” (28). Aptly, this statement summarizes one of the greatest problems confronting the Gilded Age. The rise of large, multifunctional and multinational corporations had permanently changed the landscape of American society. The Gilded Age altered the flow of wealth in the nation. As a response to this change, the Populist Party arose to some prominence, particularly in the Midwestern states. The “Populist Party Platform” from 1892, written only three years after Carnegie’s article, lays out their own plan for administering wealth. While Carnegie and the Populist Party appear quite different on their face, both believed that the “proper administration of wealth” was a key issue of their day. However, they had vastly different interpretations of what that meant and how it should be applied. A comparison and contrast of these two documents, Carnegie’s “Gospel of Wealth” (1889) and the “Populist Party Platform” from 1892 written by Ignatius L. Donnelly, shows a complicated relationship with agreement on principles, but disagreement on policy.

It is clear that both writers agreed that wealth is best suited for the hand of the citizen rather than the government. The Carnegie Dictum was simple: Spend the first third of life getting an education, the second third accumulating as much wealth as possible, and spend the last third giving it all away (Wikipedia.org “Andrew Carnegie”). In the “Gospel of Wealth” he wrote, “Thus is the problem of rich and poor to be solved. The laws of accumulation will be left free, the laws of distribution free” (30). Carnegie believed that the one who acquired wealth was the one best suited for its distribution. His choice dispensation of wealth was to build libraries, colleges, and venues for the arts, as “ladders upon which the aspiring can rise” (Carnegie 30). The “Populist Party Platform” also held that the individual was the best spender of his income. “We believe that

the money of the country should be kept as much as possible in the hands of the people” (Donnelly 52). Further, they insisted that “wealth belongs to him who creates it” (51). Populists also believed that money was best kept and spent by earners, rather than the government.

In addition, both writers agreed that when citizens did not dispose responsibly of their wealth, particularly millionaires, the government should step in. Carnegie called for steep inheritance taxes on millionaires who refused to distribute their wealth in their lifetimes (29). This sentiment was echoed by the Populist Party, condemning selfishness among millionaires (Donnelly 50). Both authors also called for a graduated or progressive tax system, believing a person’s tax percentage should increase as their earnings increased (Carnegie 29, Donnelly 52). The fact that this policy proposal was coming from poor farmers and wealthy capitalists foreshadowed the arrival of the 16th Amendment. In October of 1913 (only twenty years removed from these documents), Congress enacted the first permanent income tax law, also in a progression fashion. The first income tax rates started at 1 percent and rose to 7 percent for citizens whose earnings surpassed \$500,000 (US Department of the Treasury).

Both parties believed the “proper administration of wealth” should be used for the public good. It had become clear to both writers that there must be some help given to the lower classes. During the Gilded Age, the lower classes and many farmers had been relegated to what they considered hopeless conditions. More and more people in the America no longer felt that they had control of their work or optimism for their futures (Luck “The Gilded Age”). The “Populist Platform” warned that avoiding this problem “forebodes terrible social convulsions, the destruction of civilization, or the establishment of an absolute despotism” (Donnelly 49). However much unity these two groups may have had about defining the problem, they had stark differences on how to fix it. Helping the lower and middle classes was a complicated social and economic problem.

Carnegie sought to accrue his wealth and, following his dictum, employ it in the construction of his “ladders.” He thought this method, the status quo of large socioeconomic differences, was the best for humanity. He wrote, “much better this great irregularity than universal squalor” (29). Those who had the capabilities to create such wealth were the ones who had the ability to preserve and the responsibility to steward the best of human culture. He deemed this “inevitable” and as deeply rooted in human society as private property (29).

The Populists, however, were not satisfied with the status quo of wealth administration. The Populist thinkers did not see this tremendous socioeconomic divide as an “inevitable” reality of nature. They believed that the divide was created by corruption in the markets and perpetuated by accomplices in the government (Foner 681). The Populists sought to limit the earning potential of the capitalists, leaving more wealth for the middle and lower classes. They called for policies that would expand the money supply, freeing up capital mainly through the recirculation of silver (Donnelly 52). They favored government ownership of railroads and all other infrastructure as a means of “public necessity” (Donnelly 52). They supported the unequivocal ability of labor to unionize and collectively bargain for the “uplifting of mankind” (Donnelly 51). These beliefs represent a titanic difference about the administration of wealth from Carnegie and his ironclad empire. Perfectly illustrating this divide, the Populist Party Platform was accepted on July 4, 1892 (George), at the exact same time as the infamous Homestead Strike was taking place at Carnegie Steel (Wikipedia.org “Homestead Strike”).

Perhaps the largest contrast between Populist and Capitalist belief for the administration of wealth is found in the second plank of the Populist Party Platform, which states, “Wealth belongs to him who creates it” (Donnelly 51). It is probably fair to say that Andrew Carnegie would agree with this statement on its face. However, the writers of these two documents mean vastly different

things by these seven words. To the capitalist, this phrase meant that wealth belonged to the one who had the executive skills to create large corporations and work them for profit. Yet to the Populist, this phrase meant that wealth belonged to the one whose labor created useful products. Each group dogmatically held that the creed should be interpreted their way. This sums up the labor debate for most any era of history. Those who owned and accessed capital stated that laborers gained their wealth in accordance to the worth of their labor and their contractual agreements. Still labor (and many Populist farmers) felt the system was rigged against them. They wanted more of the wealth to stay in their hands. And while they did not expect the government to give them their desired increase in wealth, they demanded that the government establish rules that would give them access to advancement.

The Populist movement was not an overtly socialist movement. However, they believed the government should control infrastructure (a practice that is not uncommon today) only to provide fair access to markets for the goods of farmers and small business (Donnelly 52). In this time period, railroad owners were charging enormous fees just to bring crops and goods to market (Luck “The Gilded Age”). These practices, deemed unfair by the Populists, were driving this push for rail access. Yet the Populists believed in private property, at least for their members. The Land Plank of the Populist Party Platform advocated for the busting of land monopolies, removal of land from foreigners and the ability for settlers to acquire plots (Donnelly 53).

As illustrated by Carnegie’s “Gospel” and the Populist Platform of 1892, the “proper administration of wealth” was a primary focus of American society during the Gilded Age. In different ways both sides of the argument prevailed. Carnegie’s proposal was no mere pipe dream. By the time Andrew Carnegie passed away, he had administered around 90 percent of his wealth, some \$350 million (Wikipedia.org “Andrew Carnegie”). Many of Carnegie’s contemporaries

followed his admonition and example, giving away large percentages of their wealth also (Wikipedia.org “Andrew Carnegie”). As well, many of the proposals of the Populists would become a reality within the span of a generation. In the Progressive Era, unions would be given more protections, trust busting began, the government would take a greater interest in controlling infrastructure and a graduated income tax would become law (Luck “Progressivism”). While the “proper administration of wealth” can still mean different things to different groups, its discussion in the Gilded Age did bring some answers and benefit to them and to modern Americans.

Works Cited

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